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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC No. 03254-85/1
25 June 1985

MEMORANDUM FOR: See Distribution

FROM: [redacted] 25X1
Assistant National Intelligence Officer for Europe

SUBJECT: Warning and Forecast Report for Europe

1. Attached is my report to the DCI based on our meeting held on 19 June 1985. If there are any significant amendments or additions you would wish to make, please let me know.

2. Next month's warning meeting will be on 17 July 1985 at 1015 in room 7-E-62, CIA Headquarters. Pleae have your clearances passed and call [redacted] with names of the attendees by noon, 16 July 1985. 25X1

3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 8 July 1985.

[redacted] 25X1

Attachment:
NIC No. 03245-85

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Washington, D.C. 20505

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NIC No. 03254-85
25 June 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: [redacted] 25X1
Assistant National Intelligence Officer for Europe

SUBJECT: June Warning and Forecast Report

I. Main Discussion Items

A. The Eureka Plan: Progress and Problems

1. Discussion

Mitterand is successfully playing to skepticism about the "two-way street" provisions of SDI and pressing the need for an independent high technology base for West Europe. The UK, West Germany and Italy are now on record as supporting Eureka. But many leaders are of two minds and unsettled pragmatic questions promise to impede further movement on the program.

Several countries including Italy object to forming a new bureaucracy to manage Eureka and the French have misgivings about any supra-national scheme. The EC Summit in Milan this week and the next session of the Western European Union will probably address problems in sharing competitive technologies. Eventual discussions of cost-sharing to get Eureka off the ground will also be difficult.

Fears of being left out of SDI are becoming more evident. Most West European countries are pursuing active industrial contacts with the US on SDI. These contacts are officially approved but privately conducted as the Western Europeans must

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publicly support Eureka as long as it appears to be a viable European option. In addition, some leaders--like Kohl--need Eureka to help ease domestic political criticism. But Kohl, Craxi and Thatcher want Eureka to be compatible with SDI in order to keep their credentials as Europeans as well as their special ties to the US. And Mitterand is taking the same tack in part to satisfy them but also to help pacify industry and defense critics at home.

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B. Portugal: More Instability Ahead

1. Discussion

The fall in May of Portugal's fifteenth government since 1974 presages a protracted period of political turmoil. Should politicians take their quarrels too far and neglect growing economic problems, popular dissatisfaction could grow at the expense of the democratic experiment launched a decade ago. Military intervention, still only a remote possibility now, could become a real concern if the politicians fail.

The latest crisis grows out of the Social Democrats' decision, under their new leader Cavaco Silva, to withdraw from the governing coalition. His plan is to press a vigorous campaign for his candidate, rightist Freitas do Amaral, in the presidential elections in November. President Eanes' recent call for a new coalition seems unlikely to succeed as the Socialists have only a plurality and the other parties are unlikely to support another feckless Soares government. Eanes will probably have to call early parliamentary elections for September.

By law, there must be a 90 day lag between parliamentary and presidential elections, so Portugal may experience two national elections this year. In the presidential elections, Premier Soares' ambitions to succeed Eanes sparked most of the other current maneuvering. On the right he will be opposed by a

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candidate backed by Cavaco Silva who wants to roll-back the Socialists' programs. President Eanes, a bitter rival of Soares, must step down but he has a new party forming in the wings and could use it against Soares. On the left, ex-Premier Maria Pintasilgo, a more radical Socialist candidate who plays to the Communist vote, may also compete with Soares for the Socialist nomination and, failing this, could still play a spoiler role by trying to run as an independent.

The most likely outcome is a continuation of the current political turbulence with sharper polarity in the short term as a center-right alliance offers voters a clearer choice between programs. A less likely outcome-- with the most negative implications for the US-- would be a victory or heightened influence for the radical leftists under Pintasilgo.

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II. Monitoring Items

A. The Spinoffs of the Antonov Trial. Domestic media criticism of Agca's behavior in court and pressure from the East--such as the recent TASS editorial demanding a quick end to the trial--has not deterred the Italian judiciary from painstaking pursuit of new leads. The trial will probably last into the end of the year. Sofia which at first took glee in Agca's antics has shown signs of more concern at damaging testimony about its dealings with drug smugglers and terrorists. So far, the Bulgarians have not activated plans to hold a "countertrial" of Agca in absentia but their disinformation mills blame the US and the CIA for the assassination attempt and now say that Bulgarian emigres are conspriring in the US "smear campaign" against them.

B. Chancellor Kohl's Political Status. Kohl's political infuence is slipping as criticism of his leadership grows among the rank and file of his own party. He may soon feel more heat as Johannes Rau, begins to act on the national scale like the SPD standard-bearer in 1987. For now there are no credible alternatives in the CDU and Kohl can probably hold his position unless a major new scandal provides the political coup de grace. In the meantime, coalition leaders are collaborating to advance legislative programs--like tax reforms--and they are moderating their earlier criticisms of Kohl in public.

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C. Cyprus: Kyprianou's Troubles. The combined AKEL and conservative majority in Parliament is unrelenting in its pressure on President Kyprianou. He has survived an effort in the Supreme Court to limit his powers and switched position by signing the SYG's draft agreement on the Cyprus problem. He should be enjoying an easing of pressure at home and taking advantage of the Turkish Cypriots increasing political divisions and pressures to sign the SYG draft. But his Greek Cypriot critics still want to force him out of power. Their latest tack is proposed legislation which would deprive the President of staff support. Probably of more concern to Kyprianou is an evident hedging of previously strong backing from Papandreou in Athens.

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